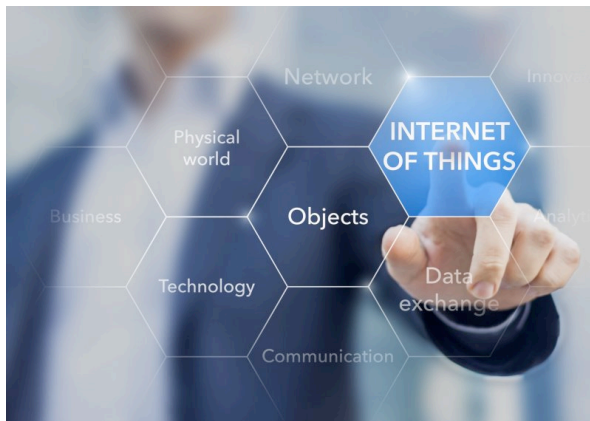


Fundamentals of Strategy



Graduate Degree Program: Internet of Things

Innovation and Management Program

Strategic Management track

Cécile Chamaret & Benjamin Lehiany

Who are you ?

- Education
- Age
- Objectives
- What are you expecting from this course ?



Benjamin Lehiany

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- Current position
 - Maître de conférences, Ecole polytechnique
 - Research Associate, Centre de Recherche en Gestion
 - Professor of Strategy and Scientific Director of the MSc. International Strategy & Influence, SKEMA Business School.
- Experience
 - 10-year experience in teaching (TSE, Dauphine, ESCP-Europe, SKEMA, X).
 - 5-year experience in consulting (Cereza Consulting, autoentreprise).
- Education
 - MSc. in Industrial Organization, Toulouse School of Economics
 - PhD in Strategy, Ecole polytechnique
- Research interests
 - Network Industries (energy, transportation, telecoms)
 - Regulation and competition policy
 - External growth strategies (alliance, Joint-ventures, M&A...)
 - Non-market strategies (lobbying, influence, CSR...).

Cecile Chamaret

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- Current position
 - Associate professor, Ecole polytechnique
 - Researcher Centre de Recherche en Gestion
- Experience
 - 5 years as assistant professor, Sorbonne University in Abu Dhabi
- Education
 - ENS Cachan, Economics and Management
 - PhD in strategy, Ecole polytechnique
- Research interests
 - New technologies
 - Innovation
 - Consumer behavior
 - Luxury industry

Learning objectives

- ✓ The Fundamentals of Strategy course is intended to develop a managerial point of view :
 - a transversal vision of the organization
 - a capacity for analyzing and solving problems from a broad business and company-wide perspective
- ✓ Understanding business strategy is fundamental for you
 - As a futur employee
 - As a futur manager

Agenda

Strategic analysis

Session 1: Introduction to strategic management and corporate growth

Session 2: The external environment of the firm

C.C

Session 3: The internal analysis of the firm

B.L

Strategic Choices

Session 4: Business strategy and models

C.C

Session 5: Corporate strategy and diversification

B.L

Session 6: International strategy

B.L

Strategic Management of Innovation

Session 7: Leveraging disruptive innovation

C.C

Session 8: Innovation and strategic change

C.C

Session 9: Platforms, networks and the new rules of strategy

B.L

Rules of the game

case studies (60%) in groups: #3 - #6 – #9

individual **quizzes (40%)** : quiz during S_n on S_{n-1}

Session 1: Introduction to strategic management and corporate growth

What is strategy ?

Robin Hood problems



Robin Hood problems

- 1 - What are the key problems? Can they be grouped in sub-categories of problems? Trace their emergence.**
- 2 - What can Robin do to solve such problems?**
- 3 – What are the potential links with today's companies development ?**

Groups of 2

Prepare 6 slides to be presented in 30 minutes

What are Robin's key problems?

- ✓ Profit squeeze
 - Revenue is down and costs are rising
- ✓ Control and command issues
 - Vigilance



What are Robin's key problems?

✓ Environmental threats ?

- How to avoid detection of the growing organization?
- What to do about the growing strength of the Sheriff's forces?

Session 2: The external environment of the firm

C.C

✓ Mission of the organization?

- Current resources and competences vs mission
- Impose a fixed transit tax?
- Accept the Barons' offer to join in freeing King Richard?

Session 3: The internal analysis of the firm

B.L

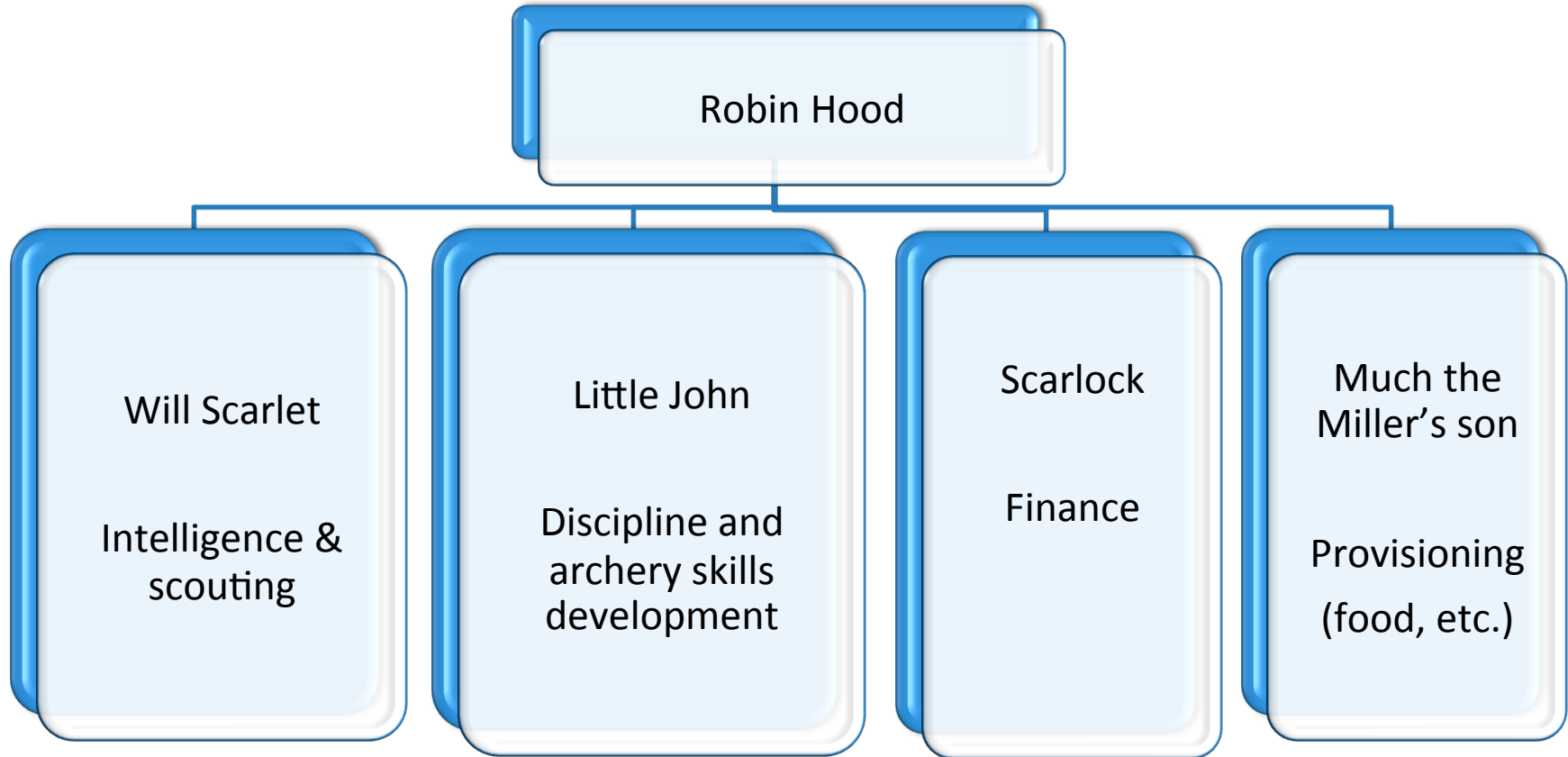
What can Robin do?

- ✓ Decentralization
 - Geographic divisionalization
 - Sub-bands with small headquarters to coordinate movements
- ✓ Diversification beyond the confines of his traditional forest territory
 - Operations can be carried on in the countryside by the autonomous sub-bands
- ✓ Long-term action : mission?
 - On whose behalf should the organization formulate its mission ?
 - New activities & developments: frontal attack at the Sheriff, alliance with the barons....

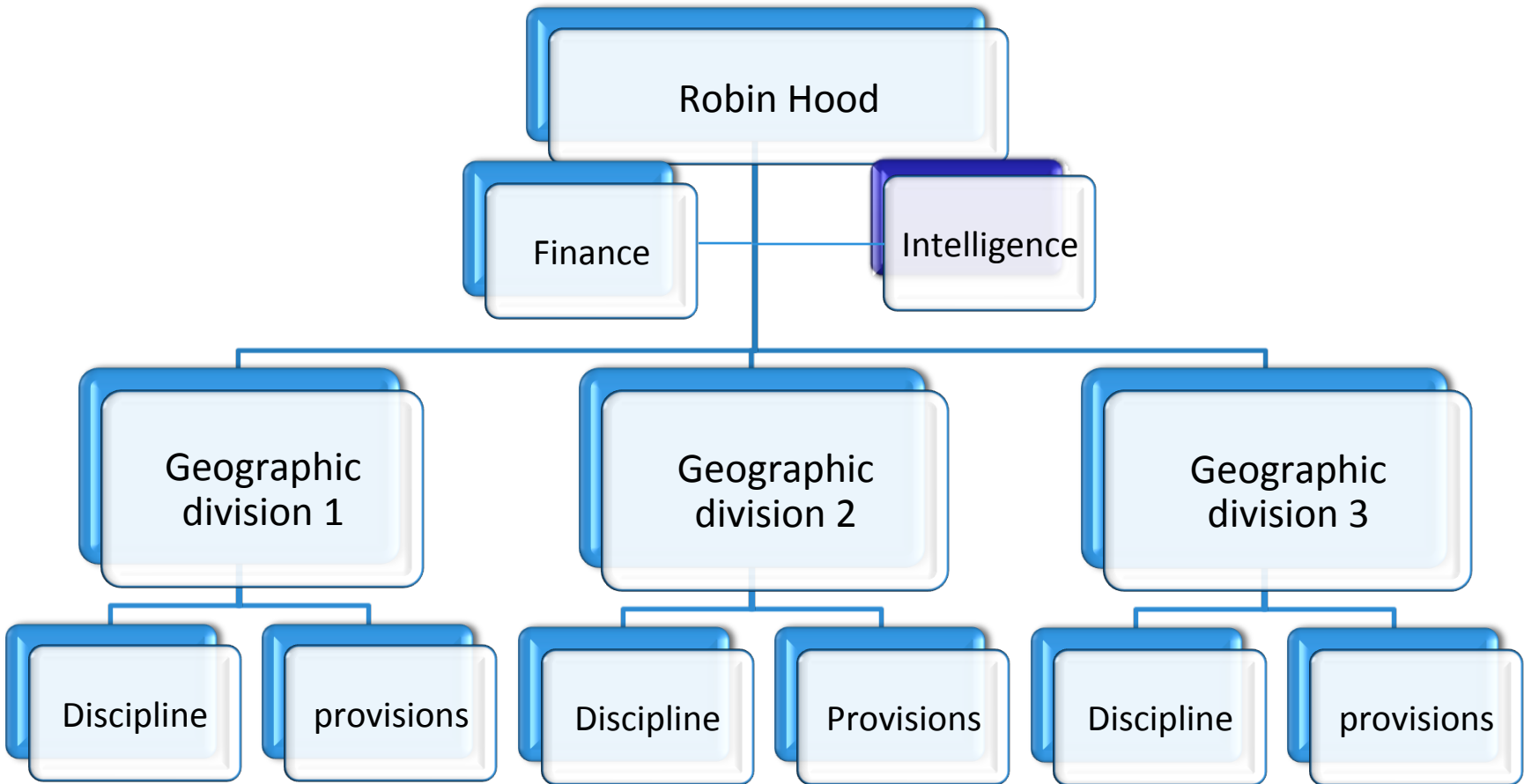
Implementation issues

- Need to change the structure of the organization
 - Current structure
 - Functional with each lieutenant a specialist
 - Communication is informal, Robin has no direct link with first line recruits
 - Possible New Structure
 - Decentralized regional operations, sub-bands with small headquarters to coordinate movements
 - Increases flexibility, reduces chance of attack, eliminates food distributions problems

Current structure



New structure



Implementation issues

- ✓ Must deal with problems of control and communication system
 - Divisionalization increases the probability of breakdowns and mismanagement
 - Which function should be decentralized?
 - Which one should be retained at the central (corporate) level?

- ✓ Must search for qualified men to be leaders:
 - The only proven leaders are his lieutenants
 - Dispatching them away means a loss of talent for the center

- ✓ Must restructure under pressure

What is strategy ?

What is strategy ?

“...the determination of the long-run goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”

Alfred Chandler

“Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value”

Michael Porter

« A firm theory about how to gain competitive advantage »

Peter Drucker

« A pattern in a stream of decisions »

Henry Mintzberg

What is strategy ?

Strategy is the *direction* and *scope* of an organization over long term, which achieves *advantage* in a changing *environment* through its configuration of *resources* and *competences* with the aim of fulfilling *stakeholders'* expectation.

Exploring Strategy.

Strategy is concerned with

- ✓ The long-term direction of an organization
- ✓ The values and expectations of powerful actors in and around the organization
- ✓ The scope of an organization's activities.
- ✓ The advantage for the organization over competition
- ✓ The organization's resources and competences
- ✓ The strategic fit with the (business) environment.

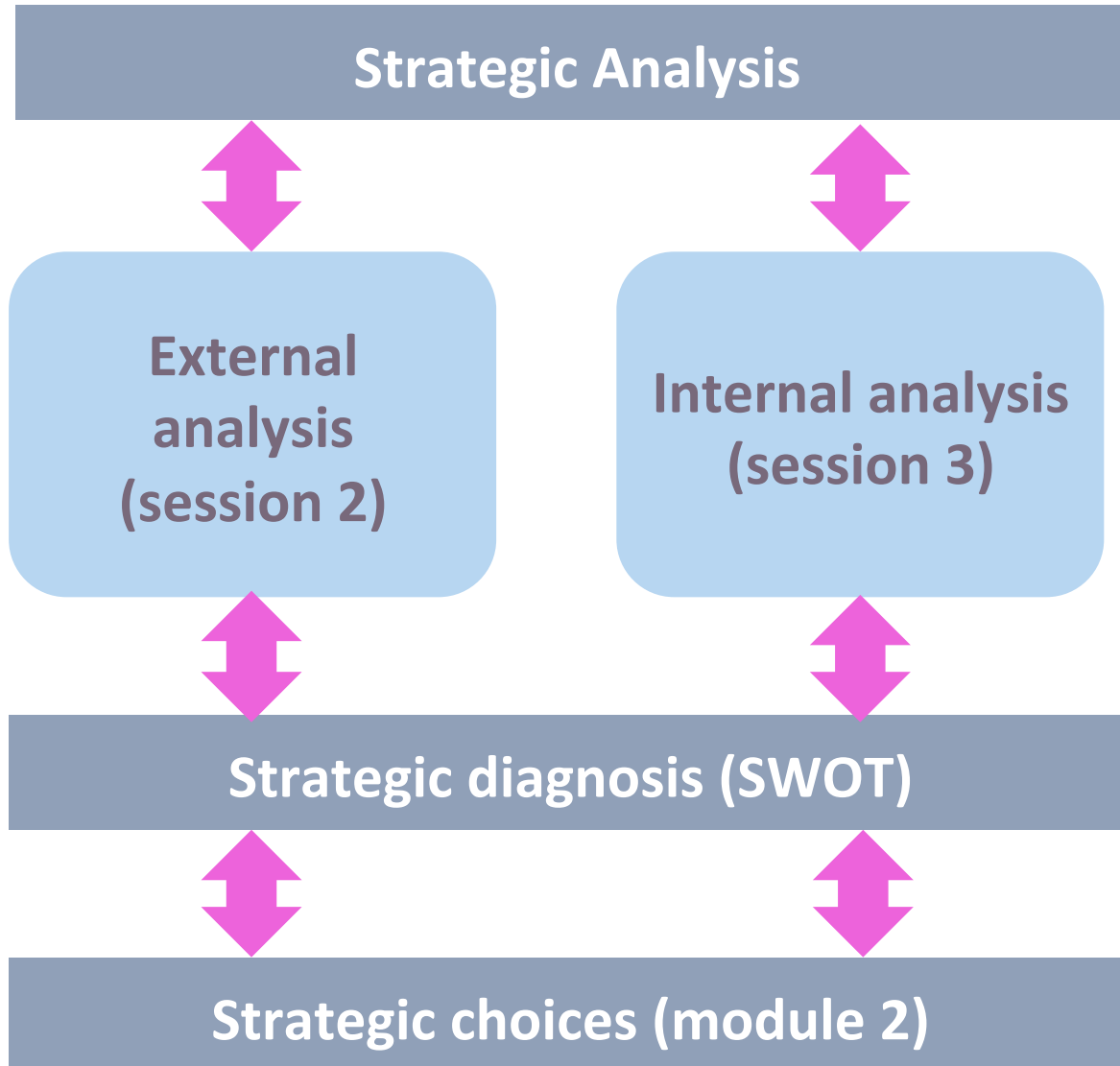
And its fundamental question is:

Why do some firms perform better than others ?

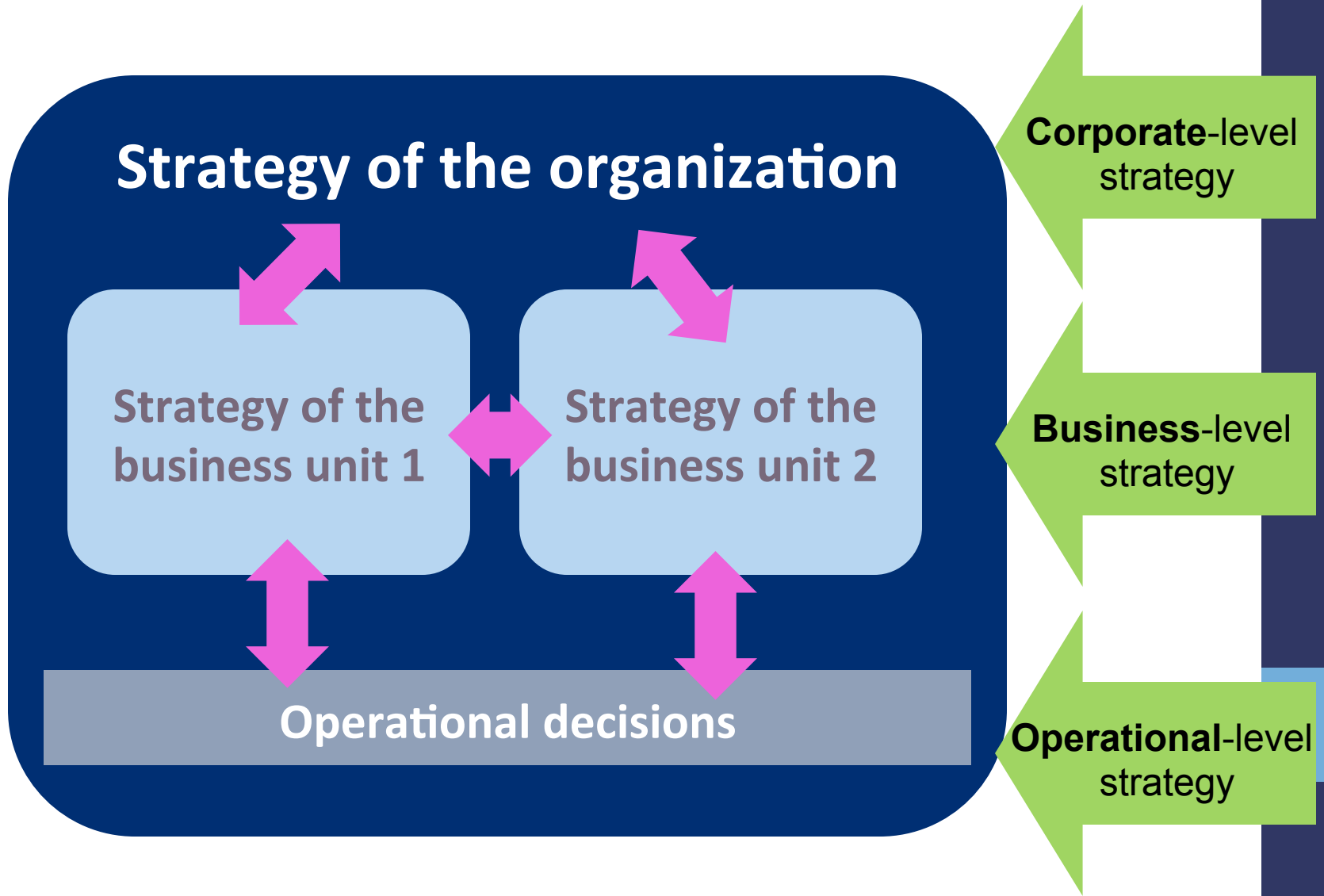
Strategy statement

- **Mission**: what is the purpose of your organization? => *Robin's mission is to aggressively pursue equality for the people.*
- **Vision**: how do you see the future? => *The people of Sharewood Forest working in harmony and unity to govern themselves and maintain the balance of power.*
- **Objectives**: what are the objectives you need to reach to fulfil your mission? => *Overthrow Prince John and the Sheriff of Nottingham while releasing King Richard.*

Strategic process



Levels of strategy



Corporate-level vs business-level strategies

✓ The **corporate-level strategy**

- concerns the whole group (ex. : Alphabet's group strategy)
- Focuses on questions about the firm perimeter (activities, markets) but also on the management of the activities portfolio
- Corporate-level strategic decisions examples : diversification strategy, vertical and horizontal integration, internationalization, activity withdrawal, etc....

✓ The **business-level strategy**

- Concerns the business units (ex. : Google search engine, Google car, Google Glass etc)
- Focuses on the way each business seeks to compete successfully in its particular market
- Business-level strategic decisions examples : differentiation strategy, price-based strategies, focus strategy...

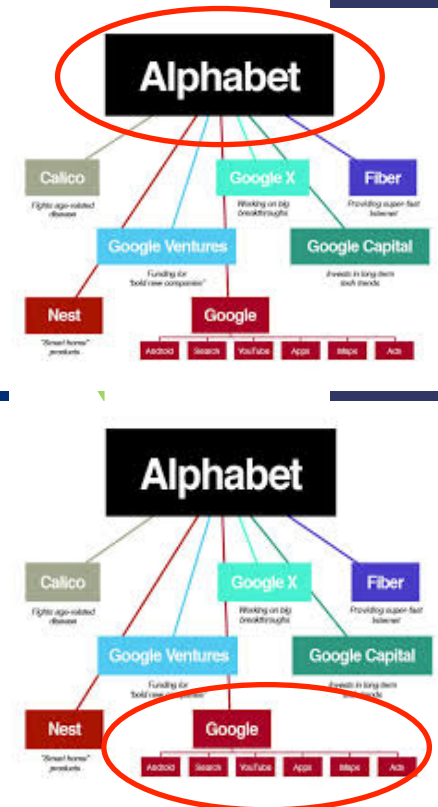
Levels of strategy

Strategy of the organization

Strategy of the business unit 1

Strategy of the business unit 2

Operational decisions



Three horizons for strategy

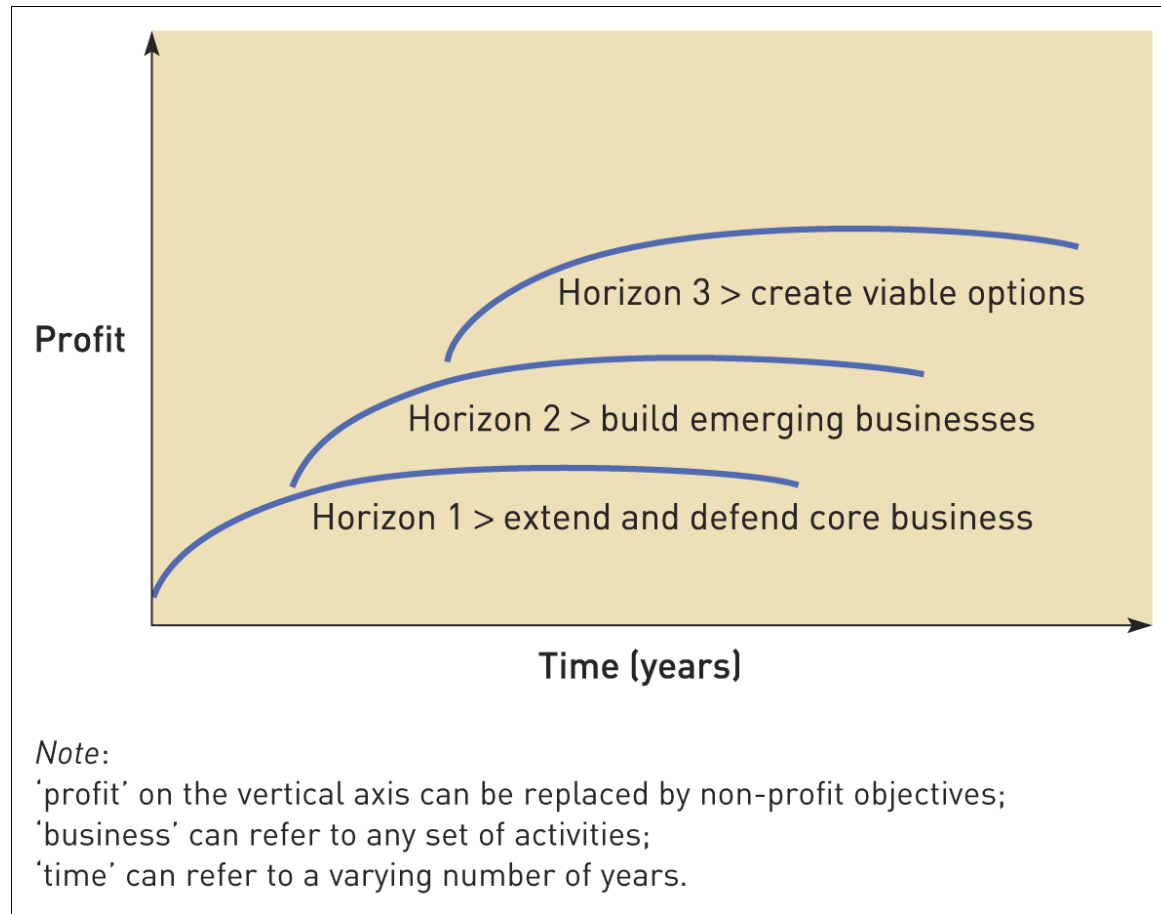


Figure 1.2 Three horizons for strategy

Source: M. Baghai, S. Coley and D. While, *The Alchemy of Growth*, 2000, Texere Publishers: Figure 1.1, p. 5

Case study



Questions

- Explain the situation Lego faced in the mid 90's and describe how it affected their strategy.
- What features of the external environment have influenced strategy development at the LEGO Group?
- What strategic capabilities (i.e. resources and competences) of the LEGO Group have enabled them to establish their successful position in the global toy market?

Groups of 2

Prepare 6 slides to be presented in 45 minutes

Strategic decisions are likely to...

- Be Complex
- Be Made in situations of uncertainty
- Require an integrated approach (internal and external)
- Imply significant change

Influence of external environment

- Market environment
- Public's opinion and attractiveness of the Lego group
- Stackholder influence (bank)

Resources and competencies

- Strong brand
- Focus on innovation
- Focus on key customers in distribution
- Strong financial backing
- Dedicated management and employees
- Inclusion of enthusiastic Lego users in product development

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